

**MEMORANDUM OF UNDERSTANDING
BETWEEN
BUREAU OF LAND MANAGEMENT
AND
STATE OF NEVADA
COMMISSION ON MINERAL RESOURCES, DIVISION OF MINERALS**

I. Background and Objectives

- A. The purpose of this Memorandum of Understanding (MOU) is to provide coordination for oil and gas inspections and operations by reducing duplication of effort and maximizing the human and fiscal resources in a team environment. The lands covered by this MOU, entered into this 18th day of October 2001, between the State of Nevada Commission on Mineral Resources, hereafter called the COMMISSION, Division of Minerals, hereinafter called the DIVISION, and the United States Department of the Interior, Bureau of Land Management, hereinafter called the BUREAU, shall include all lands within the State of Nevada
- B. The authority of the BUREAU to enter into this MOU with the DIVISION is found at Section 202, Federal Oil and Gas Royalty Management Act (FOGRMA) of 1982.
- C. The authority of the DIVISION to enter into this MOU is found in National Revised Statutes 277.110 (2) and Memorandum of Understanding, working agreement between the Governor, State of Nevada and the Nevada State Director, BLM dated July 13, 1984.

II. Statement of Work

- A. The BUREAU agrees, under the terms of this MOU, to perform the following actions:
 - I. To send copies of all Application for Permit to Drill an Oil or Gas Well (APDs) and, on request, copies of applicable sundry notices for oil and gas operations, within three (3) working days of approval, to the DIVISION.
 - II. To send copies of the following to the DIVISION:
 - First production reports to Minerals Management Service (MMS).
 - Sundry notices or requests which concern spacing, lease boundary

- or participating area allocations.
 - Correspondence with MMS which affects the royalty due or audit requests.
 - Notice of incidents of noncompliance (INCs).
 - 3. To conduct inspections of oil and gas operations on fee/private lands at the request of the DIVISION unless all staff is unavailable. At this time, it is expected that this will result in less than a dozen inspections per year. The BLM inspector will document inspection results and transmit them to the DIVISION.
 - 4. The documentation of inspections on fee wells/leases will be on BLM forms and recorded and tracked in the Automated Fluid Minerals Support System (AFMSS). BLM will not order an operator on fee lands to take any action unless there is immediate danger to life or property and only after coordination and communication with the DIVISION.
 - 5. To provide the DIVISION with copies of inspection reports within three (3) working days after completion of the inspection.
 - 6. Jointly prepare and co-approve the Annual Inspection Plan/Matrix that conforms to both agencies' objectives or performance standards.
 - 7. To invite the DIVISION to attend all agreement meetings concerning units, development contracts and communication agreements.
 - 8. Provide the DIVISION with copies of the quarterly lease notices and sales results.
 - 9. Assist the DIVISION by serving as expert witnesses at hearings conducted by the DIVISION.
 - 10. Provide the DIVISION with verification of adequate bond coverage for drilling permits. The DIVISION will accept such bonds submitted to the BUREAU as fulfilling the DIVISION's bonding requirements.
- B. The DIVISION, under the terms of this agreement, agrees to perform the following actions:
- 1. To send copies of the permit notices, with American Petroleum Institute numbers, and quarterly production reports to the BUREAU within three (3) working days of approval or compilation of permit report.

2. To conduct inspections of oil and gas operations on Federal lands at the request of the BUREAU when BUREAU staff is unavailable. Such inspections will be primarily informational and the DIVISION will not order an operator to take any action under Federal regulations, but only under State requirements.
3. To send available copies to the BUREAU of any public reports, inspections, logs, or public data of wells on fee lands. The BUREAU will be notified of any new wells completed on fee lands within three (3) working days of completion.
4. To provide the BUREAU with copies of inspections reports within three (3) working days after completion of the inspection.
5. The DIVISION will provide the BUREAU notice of the regularly scheduled Commission on Mineral Resources meetings enabling a BUREAU representative the opportunity to attend and participate as appropriate.
6. Maintain a working copy of the Automated Fluid Minerals Support System on a computer located in the DIVISION's Carson City office.
7. Provide the BUREAU automated well records on a quarterly basis.
8. Serve as lead in obtaining documents and concurrences from other State agencies to facilitate the timely approval of National Environmental Policy Act which are necessary for the BUREAU's surface use plan portion of the Application for Permit to Drill an Oil or Gas Well (APD).
9. Organize joint industry oil and gas meetings for Nevada operators on varied issues, as needed.
10. Provide the BUREAU well spacing information in the form of field spacing orders and state-wide rules. In situations where applicants have requested a spacing exception, the DIVISION will consult with the BUREAU regarding surface conditions prior to granting such exceptions.

III. Mutual Responsibilities

The Deputy State Director, Minerals Management Division, for the BLM's State Director, and the Administrator, State of Nevada, Commission on Mineral Resources, Division of Minerals, mutually agree to:

- A. Advise each other of new developments in the oil and gas program and/or pending litigation or issues concerning the oil and gas industry in Nevada.
- B. Provide compliance histories, periodic bonding updates, statistical and/or other data in support of the oil and gas program, as requested, in reasonable time frames.
- C. Conduct these responsibilities in a manner consistent with the schedules, policies, and operating procedures of both agencies.
- D. Review the status of the oil and gas program to determine the need for further expansion of this MOU or entering into an agreement under Section 205 of the FOGPMA.
- E. Utilize automation to help achieve the goals of each agency's respective mission with limited personnel. Both parties agree to support enhancing automation by securing, within available budgets, the necessary hardware and software for each of the Carson City, Reno, and Ely offices. Automation tools would include shared GIS and operation databases wherever possible.
- F. Develop a consolidated automated production reporting system. Currently both agencies have a production reporting requirement. The BUREAU's is automated and only addresses Federal wells. The DIVISION's is manual but addresses all wells. The consolidation to a single automated production reporting system is highly desirable. Such a system would eliminate one labor intensive regulatory requirement for industry and streamline agencies' procedures.
- G. Utilize a team approach comprised of staff from both agencies to accomplish the objectives of this MOU.
- H. Develop a process for using electronic data interchange (EDI) technology that enables the BUREAU and DIVISION to review and approve oil and gas operating applications. Promote the use of joint forms acceptable to both agencies to facilitate and streamline permit approvals.
- I. Use Task Forces comprised of the COMMISSION, DIVISION, BUREAU, and industry representatives to continue improving regulatory practices.

IV. Meetings

The Deputy State Director, Minerals Management Division, and the Administrator, Commission on Mineral Resources, Division of Minerals, agree to meet on a regular basis in order to provide coordination to meet the objectives and responsibilities of this

MOU. Jointly represent Nevada at national workshops, conferences, and industry events.

V. Funding

This MOU provides for no provision of funds to carry out this MOU under FOGDRA, except as mutually agreed for the BUREAU and the DIVISION for acquisition of computer hardware and software necessary for telecommunications. The BUREAU will provide the hardware and software that is compatible with their existing network.

VI. Limitations

Nothing in this MOU shall be construed as limiting or modifying in any way the authority or statutory or regulatory responsibilities of the Governor or the Nevada Bureau of Land Management State Director, nor as binding either the State of Nevada or the BLM to perform their respective duties.

VII. Effective Date

This MOU shall become effective upon execution by the parties. This MOU shall be reviewed prior to expiration for purposes of renewal and modifications as necessary to achieve the common objectives and goals of the BUREAU and the DIVISION. The MOU, or amendment thereto, will remain in effect until and unless formally terminated by any of the signatories after thirty (30) days written notice to the other party of their intention to do so.

Fred D. Gibson
Chairman
Commission on Mineral Resources

Date: _____

Alan R. Coyner
Administrator
Commission on Minerals Resources
Division of Minerals

Date: _____

Robert V. Abbey
State Director, Nevada
Bureau of Land Management

Date: _____

Thomas V. Leshendok
Deputy State Director, Nevada
Minerals Management
Bureau of Land Management

Date: _____